

The Facts on Increasing Tobacco Taxes

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MYTH 1: State revenues will decline because people will quit buying cigarettes.

FACT: The increased state revenues per pack, due to a tax increase, more than make up for revenue losses from fewer cigarette sales.

FACT: Every state that has increased tobacco taxes has increased revenues (despite prompting significant smoking declines).

Additional information on how State revenues will increase with higher tobacco taxes. <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>

MYTH 2: Tobacco taxes are regressive taxes.

FACT: Smoking (not cigarette taxes) is the seriously regressive problem, with more lower income persons burdened by the costs of smoking-caused disease and premature death than higher income persons.

FACT: Cigarette tax increases work more powerfully to prevent and reduce smoking among lower income persons than among higher income persons¹. Lower income persons are more likely to never start smoking, quit or reduce their smoking because of a cigarette tax increase than higher income smokers -- and are more likely to experience better health and lower healthcare costs while spending less of their income on cigarettes.

FACT: Cigarette tax increases have no financial impact on the vast majority of lower income persons who do not smoke.

FACT: Cigarette taxes apply equally to higher and lower income smokers. Cigarette tax increases raise the price per pack paid by lower income smokers by the exact same amount that they increase the price per pack paid by higher income smokers.

Additional information on how tobacco taxes benefit all citizens. <http://tobaccofreekids.org/research/factsheets/pdf/0147.pdf>

¹ CDC, "Responses to cigarette prices by race/ethnicity, income, and age groups-U.S. 1976-1993", Morbidity and Mortality Weekly Report (MMWR); Chaloupka F. and Pacula R. "An examination of gender and race differences in youth smoking responsiveness to price and tobacco control policies," National Bureau of Economic Research, 1998.

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MYTH 3: Increasing taxes cannot change addicted behavior.

FACT: While cigarette tax increases are most powerful in reducing smoking among less-established smokers (who are less powerfully addicted), they have also helped to reduce smoking among the most heavy and habitual users.

FACT: An enormous amount of peer-reviewed scientific research in economic and medical journals shows that for every 10% increase in the overall price of cigarettes due to cigarette tax increases, adult smoking declines by about 4% and the number of youth who smoke drops by roughly 7%².

FACT: While the cigarette companies promote the myth that cigarette taxes will not reduce smoking levels, cigarette company documents show that they know that cigarette tax increases reduce smoking among both adults and youth.

MYTH 4: A "black market" will be created.

FACT: If cigarette smuggling were as big a problem as some claim, state cigarette tax increases would not produce new state revenues. But every state that has increased its cigarette tax has dramatically increased its revenues despite any revenue losses caused by cigarette smuggling, cross border sales or other tax avoidance³.

For more information about Indiana's and other states cigarette taxes: Visit www.itpc.in.gov/research.asp

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² Chaloupka F., "Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products," Nicotine&Tobacco Research (1999)

³ <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>